

ROLLS-ROYCE GROUP plc
NOMINATIONS COMMITTEE
TERMS OF REFERENCE
(approved by the Board on 13 December 2007)

1. **COMPOSITION AND AUTHORITIES**

- 1.1. The membership of the Nominations Committee (“the Committee”) shall be determined by the Board.
- 1.2. The Committee shall comprise the Chairman and Chief Executive of the Company and sufficient number of other Directors of the Company, none of whom shall hold executive responsibility in the Company and all of whom shall be independent as determined by the Board, to ensure that, at any time, the independent non-executive directors shall constitute the majority of the Committee.
- 1.3. The Chairman of the Committee shall be the Chairman of the Company (except in relation to the appointment of the Chairman of the Company, when the Chairman shall invite a non-executive member of the Committee to chair the Committee on his or her behalf).
- 1.4. The Company Secretary or his nominee shall act as the Secretary of the Committee.
- 1.5. The quorum necessary for the transaction of business shall be two members of whom at least one must be an independent non-executive director. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the powers and discretions vested in or exercisable by the Committee.
- 1.6. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.
- 1.7. The Committee may, at its discretion, invite other directors of the Company to attend meetings of the Committee, except where their own nomination or declarations of interest are under discussion.
- 1.8. The Committee may, at its discretion, appoint and instruct suitably experienced and qualified persons to act as advisers to the Committee and attend such meetings as the Committee may decide. The Company shall meet the expense of such advice.

2. RESPONSIBILITIES

2.1. The Committee's principal responsibilities are to:

- (a) act in a way which the Committee considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole;
- (b) consider and recommend for approval to the Board the appointment of suitable persons as directors of the Company and to lead the process for such appointments;
- (c) monitor:
 - (i) the composition and performance of the Board and the composition of its Committees;
 - (ii) the work of the Executive in developing individuals with the capability of becoming executive directors or filling other senior positions in the Company.

2.2. Accordingly, the Committee shall:

- (a) Identify and recommend to the Board suitable candidates for consideration as executive or non-executive directors, including the positions of Chairman and Chief Executive of the Company and prepare suitable job specifications in respect of these positions. In the fulfilment of this duty, the Committee shall consider candidates from a wide range of backgrounds;
- (b) Evaluate the balance of skills, knowledge and experience of the Board prior to making an appointment and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- (c) Monitor annually the extent to which any non-executive director should be considered by the Company to be independent and make recommendations to the Board;
- (d) Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment, setting out what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- (e) Consider the reappointment of the non-executive directors and make recommendations to the Board;

- (f) Regularly review the structure, size and composition of the Board and its Committees (including the balance of skills, knowledge and experience) and make recommendations to the Board for any adjustments
- (g) review annually the performance of the Board and make recommendations to the Board;
- (h) Consider succession planning for appointments to the Board and to the Group Executive and keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace, and make recommendations to the Board;
- (i) Make a statement in the annual report detailing the activities of the Committee and the process used for appointments; and
- (j) Consider requests from executive directors for election to the Boards of other companies and, if agreed, to recommend approval to the Board, having weighed the developmental benefits for the individual with the likely demands of the role and his or her responsibilities as an employee of the Company.

3. REPORTING

- 3.1. The Committee shall report as appropriate to the Board.
- 3.2. The Committee shall review any disclosures that the Company is required to make in respect of its activities, making any recommendations on how such disclosures should be presented for consideration by the Board.
- 3.3. The Chairman of the Committee shall be available to respond to any shareholders' questions at any general meeting of the Company.
- 3.4. The Committee shall annually review its terms of reference and its own effectiveness and recommend any changes to the Board.

4. DUTIES OF THE SECRETARY

- 4.1. The Secretary shall be required to keep a proper and timely record of meetings of the Committee and circulate such minutes to all members of the Committee. Such records should also be made available for inspection by Board and the Company's external auditors on request.
- 4.2. The Secretary and the Director of Human Resources shall be required to make available to the Committee full and relevant information as the Committee may require to inform its decisions.
- 4.3. The Secretary shall ensure that the Committee is properly constituted in accordance with these Terms of Reference. Any actual or anticipated

variance of these terms should be brought to the attention of the Chairman of both the Committee and the Remuneration Committee and the Chairman of the Company, as appropriate.

- 4.4. The Secretary shall ensure that these Terms of Reference are made available on the Company's website.